

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

**EVCO TECHNOLOGY &
DEVELOPMENT CO., LLC,**
 Plaintiff,

v.

BUCK KNIVES, INC., et al.,
 Defendants.

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CIVIL NO. 05-CV-6198

MEMORANDUM OPINION AND ORDER

This is a patent-infringement and false-advertising suit brought by Plaintiff EVCO Technology & Development Company, L.L.C. (“EVCO”) arising out of its ownership of a patent for compound bows used in archery and hunting. Defendant Buck Knives, Inc. (“Buck Knives”) has filed a Motion to Dismiss. For the reasons that follow, Buck Knives’ Motion to Dismiss is **DENIED**.

I. FACTUAL AND PROCEDURAL HISTORY

EVCO is the exclusive owner of United States Patent No. 5,782,229, entitled “Single Cam Compound Bow with Interchangeable Cams for Varying Draw Length” (the “’229 Patent”). The claims of the ‘229 Patent are directed to a modular cam assembly for use in a single-cam archery bow and to a compound archery bow, which incorporates a modular-cam assembly.

EVCO alleges that Defendant Champion Bow Company Ltd. (“Champion Bow Canada”), a Canadian company, manufactured modular single-cam compound bows under the trade name “Buck Bows” from 1999 to 2002, and that Buck Bows infringed the ‘229 Patent. EVCO further alleges that Defendant Champion Bow Co. USA, Ltd. (“Champion Bow USA”), Champion

Bow Canada's distributor in the United States, and other Defendants sold the infringing Buck Bows in the United States under the names "Saber," "Tomcat," and "Spike."

Count III of the Amended Complaint asserts a claim against Buck Knives for "contributory patent infringement." Plaintiff alleges that Buck Knives had actual knowledge of the '229 Patent and "actively induced" Champion Bow Canada and Champion Bow USA to sell bows in the United States that infringed the patent.

Count XI of the Amended Complaint asserts a claim against Buck Knives under the Lanham Act¹ for false advertising. Plaintiff alleges that Buck Knives engaged in commercial advertising and/or promotional activities that contained false and/or misleading statements regarding: "the nature, characteristics, qualities, or geographic origin of the Infringing Bows";² "the identity of the company providing the lifetime warranty on the Infringing Bows";³ "Champion Bow Canada's authorization to manufacture and sell Infringing Bows in the United States";⁴ "misleading statements regarding the source of the Infringing Bows";⁵ and "misleading statements regarding the identity of the company selling the Infringing Bows."⁶

EVCO claims that these false and/or misleading statements deceived purchasers or potential purchasers of the Infringing Bows, diverted profits to Buck Knives and others, and harmed EVCO's business, reputation, and good will. The brochure published by Buck Knives containing

¹ 15 U.S.C. §§ 1051–1141 (2000).

² First Am. Compl. ¶ 116.

³ Id. ¶ 117.

⁴ Id. ¶ 118.

⁵ Id. ¶ 119.

⁶ Id. ¶ 120.

the false and/or misleading statements in question is attached to and incorporated by reference in the Amended Complaint.⁷

II. STANDARD OF REVIEW

When reviewing a motion to dismiss under Rule 12(b)(6), the Court must “accept as true all the allegations set forth in the complaint, and . . . draw all reasonable inferences in the plaintiff’s favor.”⁸ The Court is not required, however, to credit a complaint’s “bald assertions” or “legal conclusions.”⁹ The Court may grant dismissal under Rule 12(b)(6) “only if the plaintiff ‘can prove no set of facts in support of his claim which would entitle him to relief.’”¹⁰

III. DISCUSSION

A. Contributory Infringement Claim (Count III)

Buck Knives seeks dismissal of Count III of EVCO’s Amended Complaint for “contributory patent infringement” arguing that EVCO fails to plead all of the elements of 35 U.S.C. § 271(c). EVCO counters that Count III alleges a claim for infringement by active inducement under 35 U.S.C. § 271(b), not a claim under § 271(c). EVCO acknowledges that “Buck Knives’ misunderstanding is likely based on the use of the term ‘contributory’ in the heading and some allegations of Count III.”¹¹ EVCO points out, however, that “the term ‘contributory infringement’ was historically and is still commonly used to describe both active inducement under 35 U.S.C.

⁷ Id. Attach. B.

⁸ Ford v. Schering-Plough Corp., 145 F.3d 601, 604 (3d Cir. 1998).

⁹ In re Burlington Coat Factory Sec. Litig., 114 F.3d 1410, 1429–30 (3d Cir. 1997).

¹⁰ Ford, 145 F.3d at 604 (quoting Conley v. Gibson, 355 U.S. 41, 45–46 (1967)).

¹¹ Pl.’s Resp. to Def.’s Mot. to Dismiss (Doc. No. 13), at 3.

§ 271(b) and contributory infringement under 35 U.S.C. § 271(c).”¹²

Given this misunderstanding, Buck Knives provides no basis to dismiss Count III. Pursuant to § 271(b), “[w]hoever actively induces infringement of a patent shall be liable as an infringer.”¹³ Accordingly, to state a claim under that section, a plaintiff must allege that the defendant induced another to engage in infringement and that the defendant specifically intended to encourage such inducement.¹⁴ Here, EVCO states a claim because it alleges that Buck Knives willfully induced Champion Bow Canada and Champion Bow USA to sell bows that infringe on the ‘229 Patent.

¹² *Id.* at 4. Case law supports EVCO’s assertion that “contributory infringement” can refer to a claim under § 271(b) or § 271(c). The Federal Circuit has explained that the Patent Act of 1952 divided “contributory infringement” into two related causes of action:

The legislative history of the Patent Act of 1952 indicates that no substantive change in the scope of what constituted “contributory infringement” was intended by the enactment of § 271. However, the single concept of “contributory infringement” was divided between §§ 271(b) and 271(c) into “active inducement” (a type of direct infringement) and “contributory infringement,” respectively. Section 271(c) codified the prohibition against the common type of contributory infringement referred to above, and made clear that only proof of a defendant's knowledge, not intent, that his activity cause infringement was necessary to establish contributory infringement. Section 271(b) codified the prohibition against all other types of activity which, prior to 1952, had constituted “contributory infringement.”

Hewlett-Packard Co. v. Bausch & Lomb Inc., 909 F.2d 1464, 1468–69 (Fed. Cir. 1990); see also Cybiotronics, Ltd. v. Golden Source Elecs. Ltd., 130 F. Supp. 2d 1152, 1164 (C.D. Cal. 2001) (discussing the subdivision of “copyright infringement”).

However, the case law hardly endorses the widespread and common use of “contributory infringement” to refer to a claim for active inducement under § 271(b) in modern practice. See, e.g., Oak Indus., Inc. v. Zenith Elecs. Corp., 697 F. Supp. 988, 992 (N.D. Ill. 1988) (“While it may often be convenient to refer to contributory infringement to encompass both, particularly since conduct which runs afoul of one generally also runs afoul of the other, they are distinct concepts.”).

¹³ 35 U.S.C. § 271(b).

¹⁴ Manville Sales Corp. v. Paramount Sys., Inc., 917 F.2d 544, 553 (Fed. Cir. 1990); see also Ronald A. Katz Tech. Licensing, L.P. v. Verizon Commc’n., Inc., No. 01-5627, 2002 WL 31834833, at *3 (E.D. Pa. Dec. 18, 2002) (noting that courts uniformly require specific intent to induce actual infringement).

B. False Advertising Claim (Count XI)

Buck Knives also seeks dismissal of Count XI of EVCO's Amended Complaint for false advertising under section 43(a) of the Lanham Act, codified at 15 U.S.C. § 1125(a). Buck Knives argues that Count XI should be dismissed because EVCO lacks standing and fails to state a claim.¹⁵

1. Whether EVCO has standing to bring a false-advertising claim

Buck Knives argues that EVCO lacks standing under section 43(a) of the Lanham Act to bring a claim for false advertising because the parties are not competitors, since EVCO does not allege that it makes or sells compound bows.

A plaintiff has standing to sue under the Lanham Act where “the party has a reasonable interest to be protected against false advertising.”¹⁶ The Third Circuit has set forth a five-factor test to determine when such a reasonable interest exists.¹⁷ The five factors to consider are:

- (1) The nature of the plaintiff's alleged injury: Is the injury “of a type that Congress sought to redress in providing a private remedy for violations of the antitrust laws”?;
- (2) The directness or indirectness of the asserted injury;
- (3) The proximity or remoteness of the party to the alleged injurious conduct;
- (4) The speculativeness of the damages claim;

¹⁵ Buck Knives' Motion to Dismiss addresses EVCO's failure to state a claim before addressing standing. Since standing is a threshold inquiry that must be satisfied before review of merits-based arguments, the Court herein addresses standing first. See Phillips Petroleum Co. v. Shutts, 472 U.S. 797, 803–04 (1985).

¹⁶ Thorn v. Reliance Van Co., 736 F.2d 929, 933 (3d Cir. 1984) (internal quotations omitted).

¹⁷ Conte Bros. Auto., Inc. v. Quaker State-Slick 50, Inc., 165 F.3d 221, 233 (3d Cir. 1998).

(5) The risk of duplicative damages or complexity in apportioning damages.¹⁸

Conte recognized that parties not in direct competition may have standing to sue if they meet the “reasonable interest” standard.¹⁹ Applying this test, Conte held that retailers of motor oil and engine lubricants lacked standing to bring suit under section 43(a) of the Lanham Act against the manufacturer of Slick 50, a Teflon-based engine lubricant, for allegedly falsely advertising the benefits of Slick 50.²⁰ The Court explained that the retailers had alleged commercial interest but not competitive harm, since loss of retail sales due to false advertising did not affect their ability to compete or harm their reputation or good will.²¹

Although Conte and subsequent Third Circuit cases have not addressed the precise issue here—whether a patent owner who neither makes nor sells a product protected by the patent has standing to sue for false advertising involving the patented product—other courts have applied the Conte test to that issue.

In Logan v. Burgers Ozark Country Cured Hams,²² the Fifth Circuit applied Conte to hold that the owner of a patent has standing to sue a company that falsely advertised infringing products as its own. There, the plaintiff owned patents on a method of spirally slicing boneless meat and the defendant had used pictures of infringing products in its advertising.²³ The court explained

¹⁸ Id. at 233 (internal citations omitted).

¹⁹ Id. at 231.

²⁰ Id. at 234.

²¹ Id.

²² 263 F.3d 447 (5th Cir. 2001).

²³ Id. at 449–50.

that “Logan appears to be the only plaintiff who would bring a Lanham Act false advertising claim against HoneyBaked based on advertisements involving meat sliced using a method for which he holds the patent.”²⁴ As a result, the court found that the plaintiff had standing since the alleged infringement would otherwise go unchallenged, and Congress intended that the type of injury suffered by plaintiff be redressed under the Act.²⁵

A district court in the Sixth Circuit reached a similar result in another case involving Logan.²⁶ The court rejected defendants’ argument that Logan lacked standing because he failed to allege competitive harm. Citing Conte, the court denied defendants’ motion to dismiss and held that “[b]ecause Logan holds a patent on a method for ‘spiral slicing’ meat, the Court assumes for purposes of the motion to dismiss that he has a reasonable interest in preventing others from falsely advertising that their meat products are also ‘spiral sliced.’”²⁷

Although these cases do not bind this Court, they significantly inform the Court’s application of Conte to the present matter. Here, despite a lack of representations by EVCO as to whether it manufactures or sells products based on the ‘229 Patent, EVCO’s ownership of the ‘229 Patent suffices to establish standing to bring false-advertising claims against Buck Knives for falsely advertising bows that infringe that patent. Indeed, unlike the situation in Conte, here Buck Knives’ activity directly affects EVCO’s reputation and goodwill arising out of its ownership of the ‘229 Patent. Consequently, the Court finds that Plaintiff does have standing to bring a false-advertising

²⁴ Id. at 461.

²⁵ See id.

²⁶ See Logan Farms v. HBH, Inc. DE, 282 F. Supp. 2d 776, 797 (S.D. Ohio 2003).

²⁷ Id.

claim against Defendant Buck Knives.

2. Whether EVCO states a claim for false advertising

Buck Knives further argues that EVCO's claim for false advertising fails to meet the heightened pleading requirements of Federal Rule of Civil Procedure 9(b). Buck Knives argues in the alternative that even if Rule 9(b) does not apply, EVCO fails to state a claim under the Federal Rules' normal notice-pleading requirements. The Court will consider these arguments by setting forth the elements of a claim for false advertising, analyzing whether Rule 9(b) applies to that claim, and then applying the appropriate pleading standard to the case at bar.

To establish a claim under the Lanham Act for false advertising, a plaintiff must allege:

1) that the defendant has made false or misleading statements as to his own product [or another's]; 2) that there is actual deception or at least a tendency to deceive a substantial portion of the intended audience; 3) that the deception is material in that it is likely to influence purchasing decisions; 4) that the advertised goods traveled in interstate commerce; and 5) that there is a likelihood of injury to the plaintiff in terms of good will, etc.²⁸

Rule 9(b) provides that "[i]n all averments of fraud or mistake, the circumstances constituting fraud or mistake shall be stated with particularity."²⁹ "Rule 9(b) serves to give defendants 'notice of the claims against them, provide[] an increased measure of protection for their reputations, and reduce[] the number of frivolous suits brought solely to extract settlements.'"³⁰

The Third Circuit has never addressed whether Rule 9(b) applies to claims under the

²⁸ Warner-Lambert Co. v. Breckinridge, Inc., 204 F.3d 87, 91–92 (3d Cir. 2000).

²⁹ Fed. R. Civ. P. 9(b).

³⁰ In re Suprema Specialties, Inc. Sec. Litig., 438 F.3d 256, 270 (3d Cir. 2006) (quoting In re Burlington Coat Factory Sec. Litig., 114 F.3d 1410, 1418 (3d Cir.1997)).

Lanham Act, and, thus, the issue is unsettled in this jurisdiction.³¹ However, the decisions of three courts in this District provide some guidance.

In Max Daetwyler Corp. v. Input Graphics, Inc., a case involving a Lanham Act claim that a defendant had falsely advertised the “quality and nature” of a doctor blade, the court held that the claim

need not satisfy all of the pleading requirements which have been imposed under Rule 9.³² But the policies which underlie Rule 9’s requirement that the nature of an alleged misrepresentation be pleaded with specificity are equally applicable to the type of misrepresentation claims presented in plaintiffs’ Lanham Act claim. In litigation in which one party is charged with making false statements, it is important that the party charged be provided with sufficiently detailed allegations regarding the nature of the alleged falsehoods to allow him to make a proper defense.³³

Applying this standard, the court concluded that plaintiffs’ allegation that defendants had misrepresented the “quality and nature” of the blade was not sufficiently particular to be read as an allegation that defendants had misrepresented the precise configuration of their blade.³⁴

In a subsequent case dealing with the issue, Gallup, Inc. v. Talentpoint, Inc., the court acknowledged the disagreement over Rule 9(b)’s applicability to claims under the Lanham Act and described the standard announced in Max Daetwyler Corp. as striking a balance between outright

³¹ H.H. Fluorescent Parts, Inc. v. DM Tech. & Energy, Inc., No. 04-1997, 2005 WL 2972986, at *5 (E.D. Pa. Nov. 3, 2005).

³² Max Daetwyler Corp. v. Input Graphics, Inc., 608 F. Supp. 1549, 1556 (E.D. Pa. 1985) (Pollak, J.).

³³ Id.; cf. Barr Labs., Inc. v. Quantum Pharmics, Inc., 827 F. Supp. 111, 118 (E.D.N.Y. 1993) (providing that “even if Rule 9(b) is not applicable, [plaintiff] is required to state generally the content of the alleged misrepresentations”).

³⁴ Max Daetwyler Corp., 608 F. Supp. At 1556.

application or rejection of Rule 9(b).³⁵ However, without clearly adopting that balanced approach, the court concluded that the allegations in the plaintiff's complaint were sufficiently detailed to survive a motion for judgment on the pleadings.³⁶

Most recently, the court in H.H. Fluorescent Parts, Inc. v. DM Technology & Energy, Inc. declined to apply the heightened pleading standard of Rule 9(b) to false advertising claims under the Lanham Act.³⁷ In doing so, the court implied that the holding in Max Daetwyler Corp. recognized that a quasi-fraud Lanham Act claim “does not need to satisfy the requirement of Rule 9.”³⁸ While this assertion is literally correct, it tends to understate the pleading requirement articulated by the court in Daetwyler. As discussed above, although the Daetwyler court did not require that the averments of false advertising be stated with the particularity required by Rule 9 in pure fraud cases, it did require more particularity than normally required under Rule 8.³⁹ Thus, the Daetwyler court created an intermediate standard for pleadings in a Lanham Act false-advertising action, requiring at least enough particularity that the defendant can meaningfully defend itself against the claim.

In the interests of promoting consistency of law within this District and ensuring fairness for parties forced to respond to quasi-fraud Lanham Act false advertising claims, this Court deems it appropriate to adopt the standard articulated by Judge Pollak in Max Daetwyler Corp. v.

³⁵ Gallup, Inc. v. Talentpoint, Inc., No. 00-5523, 2001 WL 1450592, at *13 (E.D. Pa. Nov. 13, 2001) (Reed, J.).

³⁶ Id.

³⁷ H.H. Fluorescent Parts, Inc., 2005 WL 2972986, at *5.

³⁸ Id. at *4.

³⁹ See Max Daetwyler Corp., 608 F. Supp. at 1556.

Input Graphics, Inc. This standard, which requires more particularity than traditional notice pleading under Rule 8 but less than the specificity required by Rule 9, ensures defendants the ability to meaningfully defend claims of false advertising without placing too onerous a burden on plaintiffs seeking to bring a false-advertising action under the Lanham Act.

Here, the allegations in the Amended Complaint are sufficiently detailed to survive a motion to dismiss under the intermediate pleading standard outlined above. EVCO's allegations, which specifically reference and incorporate Buck Knives' promotional brochure containing the allegedly false and/or misleading statements at issue, paint a sufficient picture of the conduct complained of in Count XI—that is, that Buck Knives made false representations about who designed and sold its bows—such that Defendant can adequately and properly defend itself.

IV. CONCLUSION

For the foregoing reasons, Buck Knives' Motion to Dismiss is **DENIED**.

An appropriate order follows.

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ORDER

AND NOW, this 22nd day of September 2006, upon consideration of Defendant Buck Knives, Inc.'s Motion for Summary Judgment (Doc. #12) and Plaintiff EVCO Technology & Development Co.'s Response (Doc. #13), it is hereby **ORDERED** that the Motion for Summary Judgment is **DENIED**.

It is so **ORDERED**.

BY THE COURT:

CYNTHIA M. RUFÉ, J.